



TFSA Investors: 3 Reasons That Make Suncor Inc. (TSX:SU) a Great Dividend Stock

Description

If you're planning to add a strong energy stock to your Tax-Free Savings Account (TFSA) in the beginning of 2019, then I strongly recommend **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), Canada's largest oil sands producer.

Here are three main advantages that make Suncor a great dividend stock to keep in any long-term portfolio, such as TFSA.

Operational readiness

One of the biggest reasons that makes [Suncor](#) different from other Canadian producers is the company's operational readiness to thrive in both good and bad market conditions.

As the oil prices tumbled in the last quarter of 2018 and the Canadian producers faced pipeline constraints, many investors dumped energy stocks. That widespread weakness also hurt Suncor stock, which fell about 28% from the past year's peak. But I believe this pullback offers a great entry point to TFSA investors, who are looking to enter this trade at a right price.

Since the 2014 oil downturn, Suncor management has undertaken an aggressive cost-cutting program. During the past five years, Suncor's cost to dig a barrel of crude oil has fallen to \$25 from \$37 in 2013.

This is a huge achievement for an oil sands producer, who will always find it expensive to mine the commodity than producers who operate traditional fields.

Asset diversification

Suncor is also a great diversification play in the Canadian oil sands. The company not only holds the largest reserves in the oil sands, but also owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

As oil prices recover and refining margins strengthen, Suncor is in a much better position to produce more cash from its diversified operations than a normal oil producer.

That strength was on display when the Calgary-based company announced its third-quarter earnings. Its operating income surged 80% over the same period of 2017. Suncor attributed the gain to higher crude oil prices and refinery margins, along with new production from its Fort Hills oil sands mine in Alberta and offshore East Coast Hebron project.

Reliable dividend payer

Due to the company's [strong cash flow generation](#) capability, its stock has been a reliable income generator for long-term investors, even in the worst environment for oil companies. Suncor has a solid history of rewarding investors with growing dividends.

The oil giant has been sending dividend cheques to its shareholders for about quarter of a century. After a 12.5% hike in its payout in 2018, the company now pays a quarterly dividend of \$0.36 a share. For TFSA investors, this is a great incentive to stick with the stock, which usually comes out stronger from an oil market downturn

Bottom line

After the pullback of the last quarter, Suncor stocks is trading at an attractive level. With an annual dividend yield of 3.81% and with a great upside potential, I find Suncor a good candidate for your TFSA if you plan to hold it over the long term.

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Date

2025/06/30
Date Created
2019/01/08
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